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27 October 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This digest of significant reports has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current reports received. Comments represent the immediate views of the Office of Current Intelligence.

DIA AND DOS REVIEW COMPLETED

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THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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GENERAL

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2. Polish-East German boundary agreement reportedly ratified: American officials in Berlin believe that the reported "exchange of ratification documents" between Polish and East German representatives on the subject of boundary markings between the two countries is probably intended to reaffirm the Soviet position on Germany's eastern borders and to reassure the Poles. These officials suggest that while the ratification of the "27 January 1951 agreement" at this late date may

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mean that some previous differences have been resolved, it
is more likely merely a "reaffirmation of the act of
delineation now nearly two years old." [redacted]

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Comment: The Polish-East German agreement of July 1950, which established the Oder-Neisse line as Germany's eastern frontier, provided for a mixed commission to define the exact demarcation line. It is presumably the official findings of this commission, now ratified by each Government, which have been exchanged.

Recent references by the East German Foreign Minister to the 1950 agreement as one of the pillars of East German foreign policy support the view that its full formalization is designed to please the Poles at a time when East Germany assumes a more important role in the Orbit.

EASTERN EUROPE

3. Planned reorganization of the Czech Communist Party along Soviet lines announced by Gottwald: The Chairman of the Czech Communist Party, Klement Gottwald, has announced that new organizational statutes are being drafted on the basis of those passed by the Soviet Communist Party Congress. He stated that the reorganization was necessary to bring the party structure up to date and to correct the faults which exist in the Czech Communist Party to an even more serious extent than in the Soviet party.

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Gottwald said that the Czech delegation to the Congress had discussed Czech problems with Stalin personally. [redacted]

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Comment: Gottwald's announcement that new Czech party statutes are being drafted probably presages the reorganization along Soviet lines of other Satellite Communist Parties. The Central Committee of the Hungarian Workers Party has appointed a special committee composed of top party leaders to prepare a report on the significance for both the party and the State of the Soviet Congress.

The Czech Communist Party is unique in the Soviet Orbit in that it is headed by a Party Chairman and contains both a Presidium and a Political Secretariat. The position of Secretary General was abolished in the September 1951

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reorganization. The main change required to bring the Czech party in line with its Soviet counterpart would be the elimination of the Political Secretariat, which exercises the primary political control in the party, and the absorption of its functions by the 22-man Presidium.

The Czech and Bulgarian delegations returned home on 19 October, three days later than the delegations from the other European Satellites.

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FAR EAST

4. North Korean military training in Manchuria reportedly continues: During the late summer of 1952, 18,000 recently inducted Korean residents of Manchuria were training at Mutanchiang in northeast Manchuria, [redacted] 25X1C

25X1C [redacted] The training cadre for this force was augmented by 250 officers and NCO's from the deactivated North Korean VI and VIII Corps. 25X1C

An additional 60,000 men were to be drafted by February 1953. These Koreans, born and trained in Manchuria, will be held in strategic reserve to be deployed only in case of a major UN land or amphibious offensive. [redacted] 25X1C

Comment: In 1950 there were an estimated 200,000 Koreans fit for military service in Manchuria. Since this manpower pool has been drawn on continuously by the North Korean Army, it is doubtful that an additional 78,000 could be obtained by February 1953.

The North Korean Army is presently able to more than replace its casualties with trainees, as an estimated 6,000 recruits become available monthly.

5. Peiping expands civil aviation routes toward Indochina: Peiping has announced the opening on 26 October of a new civil air route connecting Canton, Nanning, and Kunming. A route between Canton and Fort Bayard is also to be opened, as well as through service from Canton to Chungking. [redacted] 25X1

Comment: Nanning is on the newly constructed rail line to the Indochina border and is an important forwarding depot for supplies to the Viet Minh forces. No clear reason has been established for inaugurating the route to Fort Bayard, a minor port on the southeast coast across from Hainan Island.

6. Chinese Nationalists report successful island operation: In their capture of Nan Jih Island, off the coast of Fukien, on 13 October, the Chinese Nationalists committed 5,000 troops and engaged four Chinese Communist battalions,

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according to official Nationalist sources. During the three-day operation, all the 2,000 Communists on the island were killed or captured. Over 800 Chinese Communist prisoners are being held for interrogation and reindoctrination on Formosa.

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Comment: This is the largest and most successful island operation yet reported by the Chinese Nationalists. They have not previously transported a large group of Chinese Communist prisoners to Formosa.

7. Hong Kong smugglers well organized: The US Consul General in Hong Kong believes that the effectiveness of anti-smuggling measures is reduced by lack of coordination among enforcement authorities, the shortage of fast craft, and the strict standards of proof required by the local courts. At present the volume of smuggling is modest, but only because of the weak demand for goods from the mainland.

Smugglers are well organized and financed and apparently earn profits despite frequent seizures.

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Comment: Numerous seizures attest to the fairly energetic measures taken by Hong Kong authorities to curtail the illicit traffic. The large difference between mainland and Hong Kong prices, however, continues to make smuggling profitable despite the losses from seizures. At present, smugglers show particular interest in steel plate, galvanized iron sheets, steel strapping, rubber tires, hacksaw blades, auto parts, and communications equipment.

SOUTHEAST ASIA

8. Vietnam Premier says question of American advisers is delicate: In reply to a question by an MSA official whether Vietnam would be willing to accept American technical and financial advisers, Premier Nguyen Van Tam replied that for the time being this question is "delicate," but that when Vietnam's independence "has been more firmly established," it will welcome both American advisers and capital.

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Comment: The "delicacy" of the question lies in the strong opposition of French officials and businessmen in Indochina to the participation of non-French advice and capital in the country's development. Tam's remarks represent some divergence from his earlier endorsement of the French position that Vietnam's independence is complete and may indicate an intention to adopt a more nationalistic line.

9. Thai police chief reportedly seeks interest in pro-Communist papers: Agents of Police Director General Phao are reportedly buying shares in two of Bangkok's most influential pro-Communist Thai-language dailies. The American Embassy in Bangkok comments that ties with the papers might serve Phao as a link with left-wing circles in Thailand. [redacted] 25X1

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Comment: Although these two widely read papers have vociferously attacked Phao's inept censorship of the press, he has been openly friendly with their pro-Communist publisher since the latter's recent return from a two-year stay in China.

10. Foreign investments in Thailand may be restricted: A bill reportedly to be introduced in the next session of the Thai Assembly would reserve future teak, mining and fishing concessions to Thai nationals or to Thai-registered firms in which Thai nationals hold a controlling interest. Under the proposed legislation, foreign firms would be granted concessions only through Thai-registered firms in which 50 percent of the stock was held by the government.

The American Embassy in Bangkok comments that while such a law would force the withdrawal of old and discourage new foreign investments, the Assembly will probably pass at least a modified version of the proposed bill at its next session. [redacted]

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Comment: British, Danish and Australian firms, which hold the most important foreign concessions in Thailand, have long anticipated such action by the government and have as a consequence been cautious in expending new funds for capital improvements.

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11. Indonesian Army clique may act if prime minister resigns:

According to [redacted] the current government crisis is far from over. Prime Minister Wilopo is not considered strong enough to lead the cabinet and may resign, particularly if any of his ministers withdraw. Should this occur, the army's "young officer clique" will attempt to fill the resulting "power vacuum." [redacted]

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Comment: Both President Sukarno and Vice President Hatta believe that the cabinet, which has assumed the responsibilities of the indefinitely recessed Parliament, can be retained as constituted.

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[redacted] however, has informed the American Ambassador of the Vice President's willingness to head an emergency cabinet should Wilopo resign or fail to display leadership. Since Hatta is widely respected, his appointment would be expected to forestall action by the military.

SOUTH ASIA

12. Maharajah of Bhutan to be crowned on 27 October: Jigmi Wangchuk will be crowned Maharajah of Bhutan at Punakha on 27 October. [redacted]

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Comment: The new Maharajah, whose father died on 24 March, is about 25 years old. He is married to a daughter of Bhutan's capable Foreign Minister, who has been responsible for much of the country's foreign policy. In 1950 he governed a portion of the country and won popularity because of his liberalism. He is judged [redacted] to be well qualified to succeed to the throne. It is still questionable, however, whether he can oppose Tibetan and local Communist pressures, as well as Indian efforts to dominate his state.

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NEAR EAST - AFRICA

13. Iraq unlikely to join MEDO without other Arab states: American Ambassador Berry in Baghdad states it would be difficult for Iraq to split from the other Arab states in order to participate in MEDO, as was recently suggested by Turkish Prime Minister Menderes. Berry also points out that such a separation would be inadvisable from an internal

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security standpoint, even though the Iraqi Regent may have shown a favorable attitude when discussing MEDO with the Turkish prime minister in London. He adds that the present caretaker cabinet is in no position to make such a decision.

According to the Ambassador, Iraq could be persuaded to use its influence to bring about a joint decision by all the Arab countries if MEDO is made sufficiently attractive. The Ambassador feels, however, that no positive Arab action can be expected unless Egypt is also willing to use its influence in favor of MEDO. [redacted]

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Comment: The American Ambassadors in the Arab countries recently agreed that a new approach should be made to win Arab acceptance of MEDO. These officials, and other foreign observers generally, believe that Egypt holds the key to Arab approval of the Western defense proposals.

14. Possible Ethiopian support for Arab-Asian bloc on South African debate in UN: The American Embassy in Addis Ababa believes that an editorial in the Ethiopian Government newspaper indicates probable Ethiopian support in the UN for the Arab-Asian bloc's position in favor of a debate on the South African problem. The editorial condemned the "legalistic approach" to African-Asian desires for a full-dress General Assembly debate on South Africa's racial legislation.

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Comment: The Embassy has probably overestimated the significance of the editorial. Ethiopia is itself threatened by an Italian attack in the UN on the measures it has taken to integrate Eritrea and is likely to be receptive to counsels of moderation on other issues.

15. French believe decrease in Tunisian violence is due to nationalist orders: A French Residency spokesman attributes the sudden drop in incidents of sabotage and violence in Tunisia to the fact that the Tunisian question was included on the UN General Assembly agenda, and to nationalist orders to conserve strength for use when the debate begins.

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16. Algerian Communists plan strike to obstruct NATO maneuvers: The Algerian Communist Party intends to provoke strikes among dockers and agricultural workers to obstruct and embarrass Allied (NATO) maneuvers, which will include landings in the Bone area during the first part of November.

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Comment: Efforts to call a strike are likely to be in vain. Not only are the Algerians apathetic to Communist machinations, but government authorities have been successful in vitiating past Communist strike efforts. As recently as 14 October, these authorities conducted extensive searches of Algerian Communist establishments in conjunction with the anti-Communist campaign in France.

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WESTERN EUROPE

17. Activation of East German First Air Division confirmed:

The activation of the East German First Air Division has
been confirmed [redacted] The headquarters
of the division is reportedly at Dresden-Klotzsche. [redacted]

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Comment: [redacted] the activation of this
division stated that its headquarters was at Kamenz. American
observers in Frankfurt believe that there is insufficient
evidence to state definitely where the headquarters is located.

18. East German transmitter construction tied to new propaganda effort: American officials in Germany believe that
the planned construction of radio transmitters in the East
Zone is aimed not only at blocking out broadcasts from Radio
RIAS in Berlin, but also at facilitating a stepped-up Soviet
propaganda campaign in Western Europe. [redacted]
indicates that several large transmitters in East Germany are
scheduled to go into operation early next year. [redacted]

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Comment: This construction of new transmitters coincides
with increased efforts on the part of the East German regime
to frighten the population away from listening to West Berlin
and West German broadcasts. While press reports that the East
Germans plan to seize private radio receiving sets may be
premature, new centralized controls over broadcasts have al-
ready been imposed.

19. West German Ministry wants interzonal border police
strengthened: The West German Interior Ministry expects re-
newed incidents along the Soviet Zone border as soon as the
Bonn and Paris treaties are ratified by the Bundestag in
November. For this reason it is asking the Western powers
for permission to equip the Border Police with helicopters,
additional armored cars, and 60-mm mortars. It also intends
to ask the Bundestag to double the strength of the Border
Police, which now numbers 10,000. [redacted]

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Comment: Federal Interior Minister Lehr has made many
attempts to double the size of the Border Police, but he is
opposed by the Finance Ministry.

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20. West German Court outlaws neo-Nazi Socialist Reich Party: The West German Constitutional Court ruling on 23 October against the legality of the neo-Nazi Socialist Reich Party (SRP) not only bans operations of this party, but also voids the mandates of its members who have seats in the state and federal legislatures, and orders the confiscation of the party's property and funds. The court instructed the Interior Ministry to implement its decision at once.

The government is highly pleased with the ruling, and believes that it will now be able to control right extremism effectively.

Fritz Dorls, leader of the SRP, states that he will never recognize the court's verdict, which he calls "an overture to another persecution of Christians." [redacted]

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Comment: The court's decision deals a crushing blow to neo-Nazism in Germany, since the SRP was its most successful representative. Its best showing was in the spring of 1951, when it received 11 percent of the vote in the Lower-Saxony election. It was not able to develop much influence elsewhere.

There has been speculation that SRP supporters might now be attracted to the conservative parties of the coalition, which may turn more toward the right.

21. French may propose holding general European elections in 1953: The American Embassy in Paris has been informed that certain French delegates to the Paris meeting of the Coal-Steel Community Assembly's Constitutional Committee, presently drafting a constitution for a European political community, will propose a brief treaty providing for the direct popular election of a European Assembly in the near future. They will also propose that the Constitutional Committee undertake a revision of the EDC treaty, although it is not clear whether this would be done before or after the treaty's ratification. French Foreign Ministry officials have told the Embassy of their fears that the French Socialists and some Radical Socialists may try to use the Constitutional Committee to delay EDC ratification.

The Embassy believes that proposals for a brief treaty calling for elections may have the support of a majority of

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the French and German delegates to the Constitutional Committee.

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Comment: While some French Socialists and Radical Socialists may attempt to use the planning for a political community to delay EDC ratification, many French and German officials genuinely desire progress on a united Europe. The strongest proponent of European elections is Jean Monnet, president of the Coal-Steel Community Assembly, who is also a staunch supporter of the EDC.

22. Pinay reported amenable to additions to EDC treaty: French Premier Pinay reportedly has told the Foreign Affairs Committee of the National Assembly that the government would consider "certain modifications" in the EDC treaty should the Assembly suggest them. Pinay gave the impression of favoring the idea of seeking "additions" to the treaty in the form of legislative guarantees from the United States and Britain.

A French Foreign Ministry official reports that Pinay was successful in satisfying the coalition parties and obtaining a breathing spell before the ratification debate.

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Comment: Pinay's reported flexibility on this issue may foreshadow time-consuming efforts at renegotiation in the form of additional protocols and guarantees that would require the agreement of all six signatories to EDC.

23. French leftist parties may oppose lifting of parliamentary immunity of Communist Deputies: The American Embassy in Paris reports that the strong traditional indisposition of the National Assembly deputies to lift parliamentary immunity for any political reason whatever is being noted in the Assembly corridors, particularly among the Socialists and Popular Republicans.

According to the Embassy, the French Government's voluminous document requesting the lifting of parliamentary immunity of five Communists, which circulated on 22 October in the National Assembly, leaves no doubt as to the organized and systematic character of the Communist Party's program and activity to undermine French military planning.

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Comment: Pinay's intensified courting of the rightest parties may induce the leftist Popular Republican and Socialist

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parties to express their solidarity with the Communists on this issue.

Although failure to lift the parliamentary immunity of five top Communists would seriously undermine Pinay's anti-Communist program and represent a serious setback for his government, the premier has repeatedly emphasized his determination to carry the campaign to a successful conclusion.

24. Dutch to go ahead with ratification of EDC treaty: An official Dutch spokesman has informed the American Embassy in The Hague that his government's decision to go ahead with ratification of the EDC treaty has not been affected by the increasing qualms of the French toward EDC. He does not, however, think Dutch ratification probable before the end of December. [redacted]

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25. Belgian Government considers cuts in defense budget: The Belgian Defense Minister fears that the current press demands for budget reductions may force the government to make cuts in defense appropriations. The American Embassy in Brussels also reports that other government officials expect such cuts in view of the government's losses in the recent communal elections. [redacted]

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Comment: The Belgian Prime Minister has informed the American Ambassador that approximately 12.5 percent of the planned military expenditures cannot be financed, and that the government is determined not to take any inflationary steps.

American Embassy officials believe that the government will publicize the budget so as to indicate that a US long-term loan will be necessary in order for the full amount to be expended.

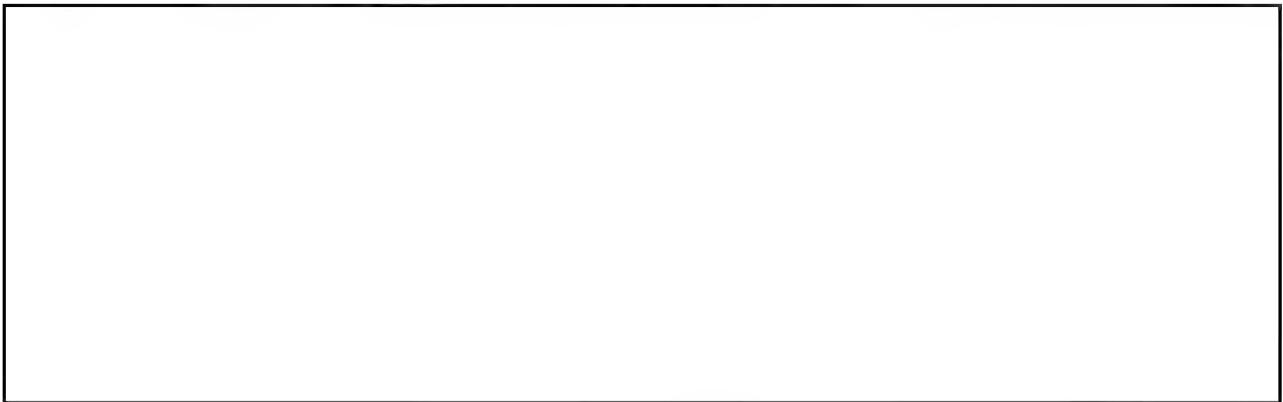
26. [redacted]

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LATIN AMERICA

27. United Fruit experiencing difficulty in Dominican Republic: The President of the United Fruit Company (UFC) has told the American Charge in Ciudad Trujillo that his company will suspend operations in the Dominican Republic if it does not soon obtain a satisfactory solution to its problems. He stated that open and flagrant violation of the government's contract with the Grenada Company, a UFC subsidiary, with respect to the diversion of water resources was still continuing and that his company had concluded that it would be futile to remain in the country under such circumstances. 25X1

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Comment: The UFC reportedly is very pessimistic about its future operations in the Dominican Republic since its recent experience with Generalissimo Trujillo's "completely unfathomable" plans shows that it cannot put faith in any settlement or agreement with the Dominican Government.

A previous report indicates that the UFC will nevertheless be reluctant to pull out, because of the large developmental work it has already completed on which a reasonable return cannot be realized without a sizeable expansion of its present banana-growing activities. In addition, the company has advanced the government over \$1,000,000 in anticipation of future payments due under its revised 1950 contract; without further expansion it would be difficult to utilize the credit made available by this payment.

28. President of El Salvador extends period of emergency for another month: On 24 October a decree was issued suspending constitutional guarantees throughout El Salvador for one

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more month on the grounds that the reasons for the original suspension on 26 September still prevail.

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Comment: Constitutional guarantees were suspended for 30 days on 26 September because of the alleged imminence of Communist-inspired disorders. Over 1,000 suspects were arrested, but many were soon released and only 18 Communists were deported. The US Embassy felt that the Communists were a potential threat, but that the situation did not warrant such drastic action.

President Osorio, who initiated a progressive and democratic government unique in Salvadoran history when he came to power in 1950, now appears disillusioned and pessimistic. He feels that the workers, despite government efforts to improve their lot, have been weaned away by Communist intrigue, and that although his reforms were aimed at saving the traditional way of life of the wealthy class, this group has condemned him as too radical. The President told Ambassador Duke on 7 October that he had reached the "lamentable conclusion" that El Salvador was not ready for democracy and that he may have to rule by decree indefinitely.

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TO THE CURRENT INTELLIGENCE DIGEST



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NEAR EAST - AFRICA

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1. Arab countries may exclude air and sea carriers operating via
 25X1C Israel: [redacted] on or before 20 January 1953 the Arab
 25X1C countries will announce their decision to exclude from Arab airports
 all commercial carriers whose aircraft operate through Israel, even
 if only for servicing. [redacted] all steamship com-
 25X1C panies whose ships call at Israeli ports might also be excluded from
 Arab countries.

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25X1 [redacted] warned the American airline representative
 that the Arab countries meant business. [redacted]

Comment: This is the first report that the Arab countries have decided to enlarge their boycott of Israel. Despite periodic rumors of possible Arab settlements with Israel, no real progress has been reported. On the other hand there has been no indication that the Arabs are about to unite in implementing a drastic decision which would injure their own economies as well as that of Israel.

2. Papagos reports that Greek generals are plotting against him:
 Marshal Papagos told the American Embassy in Athens on 23 October
 that several Greek generals, including General Potamianos, the
 King's aide, may attempt to prevent him from taking office if his
 Greek Rally wins the 16 November national elections.

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25X1 Papagos finds it difficult to believe such a move would be contemplated, but he has notified the Minister of Defense. He does not believe the Minister will take any effective action. [redacted]

Comment: There is no evidence directly confirming the existence of such a plot, and Papagos' assertions may have been motivated by his desire to prevent further political meddling in the army. Nevertheless, the Palace remains firmly opposed to Papagos as prime

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minister, and army attempts to purge pro-Papagos officers have been continual although sporadic. Papagos has made no secret of his intention, once he becomes prime minister, of removing several top army officers.

WESTERN EUROPE

3. "New" approach on Austrian treaty allegedly supported by Austrian Government: The Chilean delegate has advised American representatives to the UN that the Austrian Government has expressed approval "in principle" of a proposed modification of the draft resolution on Austria which would declare that a treaty is not a prerequisite for ending the Austrian occupation. Under the Chilean plan, the resolution would provide for a commission composed of the occupying powers, the Austrian Government, and a UN observer which, after negotiation on economic problems and termination of the occupation, would report to the next General Assembly. 25X1

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Comment: The Austrian Foreign Minister had previously advised the American Embassy in Vienna that although his government would argue on behalf of the Brazilian resolution as it now stands, it would support alternative proposals not calling for a state treaty should some other power make them. The United States has heretofore held that a state treaty must precede evacuation of troops.

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